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THE BRITISH PETROLEUM COMPANY LIMITED

Annual Report and Accounts

FOR THE YEAR ENDED 31st DECEMBER

1967

Annual Report and Accounts

CONTENTS

The British Petroleum Company Limited

NOTICE IS HEREBY GIVEN that the Fifty-ninth Annual General Meeting of the Company will be held at Britannic House, Moor Lane, London, E.C.2, on Thursday 9th May 1968, at noon, for the transaction of the following business:—

Resolution No. 1. To consider and adopt the Report of the Directors and the Accounts for the year ended 31st December 1967.

Resolution No. 2. To declare a dividend.

To re-elect the following Directors:—

Resolution No. 3. Mr. G. F. Ashford.

Resolution No. 4. Lord Inchcape.

Resolution No. 5. Lord Cobbold.

Resolution No. 6. To fix the remuneration of the Auditors.

By Order of the Board
K. H. PARKE
Secretary

BRITANNIC HOUSE,
MOOR LANE, LONDON, E.C.2.

16th April 1968.

Holders of Debenture Stock are not entitled to attend or to be represented at the meeting unless they are also holders of Ordinary or Preference Stocks.

A member entitled to attend and vote is entitled to appoint one or more proxies to attend and, on a poll, to vote instead of him. A proxy need not be a member of the Company. A form of proxy is on page 43.

The dividend, if approved, will be paid on 17th May 1968 to stockholders on the Register on 11th April 1968 which will include transfers accepted for registration on that day.

In compliance with the requirements of the General Undertaking (Companies) given to The Stock Exchange, London, the following documents will be available for inspection at the office of the Registrar, Britannic House, Moor Lane, London, E.C.2, during usual business hours on any weekday (Saturdays excluded) from the date of this Notice until the date of the Annual General Meeting:—

(i) Statement for the period from 20th March 1967 to 19th March 1968 of transactions of Directors (and of their family interests) in the equity share capital of the Company.

(ii) Statement in respect of Directors' service contracts with the Company.

These documents will also be available for inspection at the place of the Annual General Meeting for at least 15 minutes prior to and during the Meeting.

FINANCE ACT 1965 TAXATION OF LONG-TERM CAPITAL GAINS

In certain circumstances, when a stockholder sells stock his liability to tax in respect of long-term capital gains is computed by reference to the market value of the stock on 6th April 1965. The market values of BP stocks at that date, for the purposes of the long-term capital gains tax, were:—

*Ordinary Stock	51s. 3d.
8% First Preference Stock	22s. 6¾d.
9% Second Preference Stock	24s. 10½d.
5% First Debenture Stock 1974/78	£84
6% Convertible Debenture Stock 1976/80	£93

*Since 5th April 1965 there has been a rights issue of one for thirteen at 50s.: the ex-rights date was 28th February 1966.

The Company is not a close company within the meaning of the Finance Act 1965.

Board of Directors

* The Hon. Sir MAURICE BRIDGEMAN, K.B.E. (*Chairman*)

* A. E. C. DRAKE, C.B.E. (*Deputy Chairman*)

* R. B. DUMMETT (*Deputy Chairman*)

G. F. ASHFORD, O.B.E.

* D. W. K. BARKER

The Rt. Hon. Lord COBBOLD, P.C., G.C.V.O.

* A. F. DOWN, O.B.E., M.C., T.D.

* The Hon. W. FRASER, C.M.G., O.B.E., T.D.

F. E. HARMER, C.M.G.

The Earl of INCHCAPE

W. J. KESWICK

The Lord ROBBINS, C.H., C.B.

R. P. SMITH

* D. E. C. STEEL, D.S.O., M.C.

The Lord TREVELYAN, G.C.M.G., C.I.E., O.B.E.

* *Managing Director*

Secretary	K. H. PARKE, T.D.
Registered Office	Britannic House, Moor Lane, London, E.C.2.
Bankers	National Provincial Bank Ltd.
Solicitors	Linklaters & Paines
Auditors	Whinney Murray & Co.

Statement to Stockholders by the Chairman

There has been one change on our Board since our last meeting, the appointment in July 1967 of Mr. G. F. Ashford as a director. Mr. Ashford had for 10 years been a director of The Distillers Company, where he was in charge of the chemical interests which were acquired by us early last year, and his experience and knowledge of the industry will be of great benefit to us.

The interim report issued on 14th September warned stockholders that profits in the second six months of 1967 would be much reduced. The accounts for the full year now published show a net income of £64·2 million, and the occurrences which reduced our expected 1967 net income by an amount estimated at £38 million are referred to later. This reduction was offset to some extent by an immediate gain of £14 million as a result of the devaluation of sterling on 18th November. Owing to the abnormal trading conditions, the devaluation of sterling and the inclusion for the first time of the chemical and plastics interests acquired from The Distillers Company, detailed comparison of the figures for 1967 with those of 1966 is not practicable.

In view of the trading and financial position existing in November last, the Board decided to pay a net interim dividend of 6d. per stock unit, a reduction of 2d. compared with the previous year's interim. It is now recommended that the final dividend payment should be 1s. 8d., making 2s. 2d. net per stock unit for 1967 compared with 2s. 4d. net for 1966.

In spite of the many adverse factors, world production in 1967 rose by nearly 124 million tons to provide an increase of 7 per cent over 1966. Production in the Middle East increased by 33 million tons or 7 per cent over 1966 compared with an increase of 12 per cent in the previous year. There was an underlying easing off in the Middle East growth rate throughout the year due to the rapid expansion of production in North Africa, but the much reduced increase in 1967 in the Middle East was mainly due to the partial cessation of exports in June. Correcting for this abnormal month, the increase in the Middle East would have been nearly 10 per cent. World consumption, especially in the second half-year, rose at a slower rate than that of recent years. For example European consumption in the early months was running at some 12 per cent above that of the previous year, but this fell to about 5 per cent in the second half.

In recent years, most of my annual statements have indicated that for competitive or other reasons the preceding year had been one of unusual difficulty. To describe 1967 in similar terms would be the extreme of understatement. That the difficulties arose from political disturbances over which we had no control and for which the oil industry had no responsibility offers little consolation. Had it not been for these events, there is no reason why the year should not have been one of continued and steady progress.

At the beginning of the year the pipeline from Iraq to the Mediterranean was closed by the action of the Syrian government. Pumping was resumed on 2nd March 1967, but meanwhile we were obliged to replace these supplies by shipments from east of Suez. This caused a loss to the group of about £3 million in additional freight charges.

At the beginning of June, hostilities broke out between Israel and the Arab countries,

with consequences that are too well known to need detailed reference. Initially the denial of Arab oil to certain western countries, including the United Kingdom, resulted in some dislocation of the normal supply patterns. This necessitated very rapid alterations to shipping and refinery programmes and the switching of oil from other sources such as Iran and Venezuela to countries which had previously been markets for Arab oil. However, owing to the substantial surplus of productive capacity, these difficulties were quickly overcome, though there were fairly heavy withdrawals from stocks during the period of adjustment.

Far more serious was the closure of the Suez canal. This meant that tankers carrying oil from the Gulf to Europe and the east coast of the U.S.A. and Canada had to go round the Cape of Good Hope. Not only did this require 40 per cent more shipping capacity but it caused considerable gaps in delivery as the process of rerouting was established. The combination of these factors triggered off a rise in voyage charter freight rates amounting to something like 400 per cent.

To limit our freight requirements we took immediate steps to shed some of our less profitable business, particularly bulk sales of fuel oils and heating oils in north Europe. We also reduced our financial commitments by curtailing or postponing certain of the less vital items in our capital investment programme. Nevertheless, in order to fulfil our obligations to customers and avoid the necessity for rationing in parts of western Europe, we at once went into the charter market in a substantial way in the expectation—or at least the hope—that the additional freight costs would be recoverable from the consumer through surcharges on the selling price or through other means.

Our problem would have been much easier had it not been for the outbreak of civil war in Nigeria in early July which brought about the cessation of production from this source. Nigeria had assumed added importance because of its geographical advantage by comparison with oil which had to be moved round the Cape. Certain quantities of oil were available from the U.S.A., but only at a price higher than the average cost of bringing Middle Eastern oil round the Cape.

The combination of these factors cost us £85 million principally in extra freight, and up to the end of 1967 only some £50 million was recovered through the operation of surcharges or other price increases. Although some governments adopted the system of a freight equalisation fund, whereby the surcharge could be redistributed among the companies in proportion to the additional expenses they had been forced to incur, others, including the British government, did not see their way to adopting this principle. The result is that our shortfall in recoveries must necessarily fall on our stockholders, who are thus in effect bearing part of the cost of rescuing the consumer from the inconveniences of rationing.

It may well be asked why your company should have suffered more from these events than its competitors. The reasons for this are partly historical in that, as pioneers in the development of Middle East oil, a larger proportion of our reserves compared with those of other oil companies is located east of Suez. We have, of course, been fully aware of this and have in consequence made very great efforts and spent very large sums to develop alternative sources of supply in Nigeria and Libya as well as, to a smaller extent, in the western hemisphere. Unfortunately, the only major exporting country in the west is Venezuela, and under the laws of that country companies with a substantial government shareholding such as BP have been precluded from exploring there.

Before the outbreak of war in the Middle East, our estimates had indicated a reduction in our ton-mile freighting costs in 1967, and under other headings costs per ton would not have shown any increase over 1966 despite rising labour costs in most countries. The position caused by the special difficulties of 1967 has been gradually improving over the past few months, though the speed at which recovery takes place will be dependent on the future course of freight rates and the duration of the existing surcharges. It would not, in present circumstances, be prudent to base any of our plans on the re-opening of the Suez canal or an early resumption of production in Nigeria, but the building and chartering of additional tankers of larger tonnage should in course of time reduce the economic disadvantage of shipping oil to Europe by the Cape route. Our plans for the development of our tanker fleet are referred to in the Survey of operations. Meanwhile it is my confident belief that your company's position is in no way permanently weakened, and that the organisation is well poised to take every opportunity of regaining any ground that has temporarily been lost.

In November 1967 sterling was devalued in terms of the currencies of most overseas countries in which the group operates. As a result there is a net increase in earnings in terms of sterling, although the cost of overseas operations such as production and the tax and royalty we pay, will also show an increase, and the resultant sterling figure will in turn have a lower purchasing power. The effect of the new exchange rates for a full year at current levels of trade and under normal conditions might be expected to improve our sterling net income by about £18 million. The immediate effect on our net income for 1967 was, as stated above, an increase of £14 million which arose largely from the net balance of indebtedness at the date of devaluation.

The income tax liability of the company on dividends payable for 1967 is £27·6 million and this has been mainly offset by transitional reliefs of £26·2 million. These transitional reliefs should go far to offset withholding tax liabilities for 1968 and possibly for 1969 also, but they will then taper off, to be extinguished in 1972, leaving the company to bear the full tax burden on dividend payments. We now pay overseas taxation amounting to upwards of 65 per cent of our net income before tax, and the increasing double taxation which will occur from 1969 onwards will become a serious burden. In this international industry we must compete with foreign oil companies whose tax arrangements are more favourable, and it must be hoped that some means will be found of avoiding the competitive disadvantage which will soon begin to affect us.

As far as our group balance sheet is concerned, we have thought it right having regard to the changes in exchange rates to increase the book value of our overseas assets which were paid for in foreign exchange. There has, however, been no general revaluation of our assets, and those which were originally acquired against sterling have been left unchanged. The sterling equivalent of our long-term debt has also been increased by devaluation, but this is more than covered by the increase in our assets I have referred to above, and a surplus of £41 million has been added to capital reserve.

Group capital expenditure for 1967 amounted to £211 million, and this figure was not materially affected by devaluation. The estimated capital expenditure for 1968 is of the order of £230 million, and although devaluation has increased this sterling figure by £20 million, investment overseas is covered very largely by local borrowing and the funds available from local depreciation provisions.

In recent years the group's contribution to the U.K. balance of payments, after deduct-

ing all remittances for new investment overseas, has averaged about £100 million per annum and is continuing at around this level.

It is, as yet, too early to form an opinion on the impact of the measures introduced by the U.S.A. early this year to lessen the deficit in their balance of payments. At first sight these measures might seem likely to reduce the expenditures in Europe of some of our most active competitors who have now become subject to the same kind of restrictions as those under which we have been obliged to operate for some time. On the other hand, by obliging American companies to finance their overseas business by borrowing on the European capital markets, the measures will make it more difficult for others to find in those markets the money they need. Moreover, the withdrawal of American funds from Europe and the uncertain future of exchange rates may well result in a general slowing up of business activity and consequently a lower demand for our products.

Turning to the North Sea, we began to deliver gas to the Gas Council well in advance of the contract date of 20th July 1967, and since then have fully met our contract figure which represents an average rate of 100 million cu. ft. a day. Indeed, during the winter deliveries were maintained at 150 million cu. ft. a day, a figure in excess of the maximum contract quantity. Our West Sole field is not as large as some of the subsequent discoveries, but it is fully adequate to sustain our earlier estimates of its potential. We have incurred heavy costs in burying the pipeline to prevent its being a hazard to shipping, and in the abnormally severe weather of last winter 'Sea Quest' broke adrift. Although, fortunately, there was no injury to the crew, the 'Sea Quest' had to be taken out of service for repairs. Such hazards, which cannot be calculated in advance, emphasise the need for an adequate return if any exploration venture is to be attractive, particularly in an area such as the North Sea in which there is little previous experience on which to draw, and where the climatic conditions are exceptionally severe.

Our existing contract with the Gas Council extends for three years from July last, and we have not therefore been involved in the current price negotiations, though we have naturally followed these with great interest. With the high cost of borrowing and the need to conserve our financial resources it will be increasingly necessary to restrict ourselves to those projects which promise a return commensurate with the risks involved. Several of our best prospects have already been drilled, and the economics of continuing the search for structures of secondary importance will require careful evaluation.

The report of the Committee of Enquiry into the loss in 1965 of the 'Sea Gem' was published in July 1967. The report, while making a number of recommendations for the future, absolved the company from responsibility for the tragic loss of life that occurred. Most of the committee's recommendations had been anticipated by earlier action on the company's own initiative.

The additional chemical interests acquired last year have made BP the second largest chemical group in the United Kingdom. Financially, the results for 1967 were somewhat disappointing. This was primarily due to the increase in cost of chemical feedstocks due to political disturbances, but also to some extent to difficulties in commissioning and operating the acetylene plant at Barry. Devaluation of sterling could not immediately be covered by corresponding increases in prices, though it should in due course bring new opportunities for exports from this country. The process of fully integrating into our own organisation the enterprises we have taken over will take

some time, but the work of rationalisation is well advanced. We are confident that the development of our chemical interests will be of great future benefit to the group, and results this year should show a definite improvement on those for 1967.

Since the last Annual General Meeting the move into our new headquarters has been completed, and the new Britannic House has fully justified our expectations.

I have already referred to the year 1967 as one of difficulty. Many of our staff were personally affected, and the troubles in Nigeria and Aden meant that families had to be evacuated at short notice. The upheaval in the Middle East meant that many of our plans had to be changed and new ones improvised. All this made very heavy demands at every level. I believe, however, that our ability to overcome these difficulties has indicated that our organisation is basically sound, and that the experience and morale of our staff were fully equal to the demands made upon them.

MAURICE BRIDGEMAN

28th March 1968.

Report of the Directors

THE DIRECTORS submit their 59th annual report and the accounts for the year ended 31st December 1967.

Special factors in 1967

(1) Purchase of chemical interests

Accounts of those companies which became subsidiaries as a result of acquisitions from The Distillers Company Limited as at 1st January, or as a result of subsequent part acquisitions from other companies, have been incorporated in the group accounts (see further reference page 12).

(2) Dislocation of supply pattern

During the first two months of the year the pipelines from northern Iraq to the Mediterranean were closed.

Middle East hostilities occurred in early June, the Suez canal was closed and offtake from Arab countries became subject to restrictions. These restrictions were subsequently lifted, but meantime shipments from Nigeria ceased on 6th July as a result of the civil war in that country.

In order to maintain existing trade and reasonable oil stock levels, additional freight and other costs were incurred during the second half of the year. Against these costs recoveries have been made, largely by way of surcharges or price increases, but these were substantially lower in amount than the costs incurred.

All these difficulties are estimated to have reduced the 1967 net income by £38 million.

(3) Devaluation of sterling

On the 18th November the United Kingdom government announced a devaluation of sterling reducing the value of the pound in terms of the United States dollar from $2·80 to $2·40. The majority of countries in which the group operates did not similarly change their exchange rates.

This event has improved the 1967 net income by an amount estimated at £14 million. This additional income arose mainly from the indebtedness as at the date of devaluation to companies in the United Kingdom by companies, including subsidiaries, in countries which did not devalue.

It is difficult to estimate the future income benefit, having regard to present trading conditions, but had the present exchange rates with sterling been operative for a full year under normal conditions the annual improvement would have been in the region of £18 million. Although the cost of investing overseas has also increased in terms of sterling, these investments are covered to a large extent by overseas borrowing and the funds arising from local depreciation provisions.

The basis of converting the majority of fixed assets in countries overseas has been altered and appropriate adjustments made to the cost of certain investments in associated companies operating overseas. A surplus of £41 million has been credited to capital reserves (note 2 on page 20 refers).

Results for the year and dividends

Sales of crude oil and products including chemicals were 128·4 million tons, a 7·6 per cent increase over the previous year. Crude oil sales amounted to 51·0 million tons (45·5 million in 1966) and products including chemicals 77·4 million tons (73·8 million in 1966). Natural gas sales, including North Sea supplies of 16,987 million cubic feet, were 47,547 million cubic feet (23,005 million in 1966).

Results for the year 1967 including exchange benefit were:—

	1967	*1966*
	£ million	
Income before taxation	243·9	*228·2*
Less: Overseas taxation	178·2	*148·4*
Income after overseas tax.. ..	65·7	*79·8*
Less: United Kingdom taxation ..	0·4	*0·4*
Minority interests	1·1	*0·3*
Net income of the group	64·2	*79·1*

Additional to the group net income for the year there is £26·2 million transitional relief, a 1965 tax recovery of £15 million and £4·8 million profit on sale of office properties, making a total of £110·2 million.

£38·2 million is retained in subsidiary companies and £72·0 million is dealt with in the accounts of the parent company. The gross preference dividends and the gross interim ordinary dividend of 10·213d. (6d. net) per £1 stock unit aggregate £16·2 million.

Your Directors recommend a gross final dividend of 2s. 10·043d. per £1 unit of ordinary stock which amounts to £50·6 million. After deduction of income tax at the standard rate the net payment to ordinary stockholders is 1s. 8d. per £1 stock unit.

Total net payments to ordinary stockholders for 1967 will amount to 2s. 2d. per £1 unit of stock, compared with 2s. 4d. for 1966.

Purchase of chemical interests

In implementation of the agreement concluded with The Distillers Company on 3rd January 1967, all their wholly-owned chemical interests and the majority of their joint chemical interests were transferred to BP during the course of the year. In the case of three joint interests, Bakelite Xylonite Limited, Distrene Limited and CSR Chemicals Pty. Limited, the other partners refused consent to the transfer. After the acquisition of Distillers' shares in British Geon Limited, Hedon Monomers Limited and Murgatroyd's Salt and Chemical Company Limited the respective partners' interests were purchased and these companies are now wholly-owned.

The direction and co-ordination of all BP's chemical interests are now vested in BP Chemicals Limited.

The total consideration in respect of all these acquisitions in 1967 amounted to £72 million satisfied by the issue to The Distillers Company on 31st March 1967 of 19 million £1 fully paid ordinary shares of the parent company together with cash payments to the companies concerned of £11 million. The premium on acquisition not attributable to asset values has been set against the group's capital reserves.

Receipts from Iranian consortium members

£18·3 million was received during the year from the Iranian consortium members under the terms of the 1954 agreement and this amount has been credited to capital reserves of the parent company. At the present exchange rate of U.S.$ 2·40/£1 sterling, £78 million remains to be received.

Overseas taxation and royalties

Of the £178·2 million overseas taxation, £172·3 million relates to the Middle East and Libya where payments in the nature of royalties of £71·3 million have also been made and are taken into account prior to arriving at the income before taxation. The total Middle East and Libyan taxation and royalties for 1967 is therefore £243·6 million (£209·6 million for 1966).

In recent months discussions have taken place with the governments of producing countries regarding the gradual elimination of allowances previously permitted in assessing taxation liabilities. Elimination will be over the seven year period 1968-1974, and with the agreement of all the countries concerned additional taxation of over £2 million would become payable in respect of 1968 and progressively larger sums in subsequent years.

Capital expenditure and finance

Capital expenditure by group companies in 1967 amounted to £144·7 million and the group's proportion of capital expenditure by associated companies was £66·3 million, these totalling £211·0 million (£206·3 million in 1966). Investment grants receivable in respect of capital expenditure incurred during 1967 in the United Kingdom and North Sea area and on shipping are estimated at £9·6 million.

Amounts retained in the business were £174·1 million (£157·5 million in 1966) and amounts borrowed, nearly all outside the sterling area, were £65 million.

Directors

Since the last meeting, Mr. G. F. Ashford has been appointed to the Board. In accordance with the Articles of Association he retires and, being eligible, offers himself for re-election.

Lord Inchcape and Lord Cobbold retire from the Board by rotation and, being eligible, offer themselves for re-election.

Directors' interests

In compliance with the requirements of the General Undertaking (Companies) given to The Stock Exchange, London, it is stated that the interests of all the directors of the company and their family interests do not, in the aggregate, in respect of either share capital or voting control, exceed 5 per cent of the parent company or of any one subsidiary.

Auditors

The auditors, Messrs. Whinney Murray & Co., have expressed their willingness to continue in office.

By Order of the Board
K. H. PARKE
Secretary

28th March 1968.

Income Statement for the year ended 31st December 1967

Figures are in £ million

		1967		1966
Sales proceeds and other income				
Sales proceeds		**1,667·2**		1,421·7
Deduct: Customs duties and sales taxes		**585·9**		513·4
Net sales proceeds		**1,081·3**		908·3
Other income		**59·6**		31·7
		1,140·9		940·0
Operating and other costs				
Cost of oil and operating expenses		**798·3**		638·5
Depreciation and amounts provided		**78·4**		58·9
Interest		**20·3**		14·4
		897·0		711·8
Income before taxation		**243·9**		228·2
Overseas taxation		**178·2**		148·4
Income after overseas tax		**65·7**		79·8
United Kingdom taxation based on the income for the year				
Corporation tax (note (1), page 15)	**144·1**		107·6	
Relief in respect of overseas taxation	**(143·7)**	**0·4**	(107·2)	0·4
		65·3		79·4
Applicable to minority shareholders		**1·1**		0·3
NET INCOME OF THE GROUP before transitional relief, tax recovery, and profit on sale of property		**64·2**		79·1
United Kingdom taxation				
Transitional relief (note (2), page 15)		**26·2**		28·1
Previous year's tax recovery (note (3), page 15)		**15·0**		18·0
Profit on sale of office property in the United Kingdom		**4·8**		—
Income available for allocation—page 15		**110·2**		125·2

The notes on pages 15 and 20 to 23 form part of this statement

Income allocation

Figures are in £ million

	1967	1966
Income available for allocation	**110·2**	125·2
Retained in subsidiary companies	**38·2**	53·9
Net income of the parent company	**72·0**	71·3
Retained on revenue account	**5·2**	0·5
DIVIDENDS as shown below	**66·8**	70·8

	Net to stockholders	Income tax withheld	Gross amount	Gross amount	Net to stockholders
Preference	**0·6**	**0·4**	**1·0**	1·0	0·6
Ordinary					
Interim paid 19th January 1968	**8·9**	**6·3**	**15·2**	19·2	11·3
Final now recommended	**29·7**	**20·9**	**50·6**	50·6	29·7
	39·2	**27·6**	**66·8**	70·8	41·6

Payments per ordinary stock unit

	Net to stockholders	Income tax withheld	Gross rate	Gross rate	Net to stockholders
Interim	**6d.**	**4·213d.**	**10·213d.**	1s. 1·617d.	8d.
Final now recommended	**1s. 8d.**	**1s. 2·043d.**	**2s. 10·043d.**	2s. 10·043d.	1s. 8d.
	2s. 2d.	**1s. 6·256d.**	**3s. 8·256d.**	3s. 11·660d.	2s. 4d.

Note (1) **Corporation Tax**

This has been provided at 40 per cent on the income for the first three months of the year and at 42½ per cent for the remainder of the year. The rate in 1966 was 40 per cent for the whole year.

Note (2) **Transitional relief**

Relief arises under the terms of the United Kingdom Finance Act 1965. Under section 84 (overspill) amounts totalling £24·6 million for 1967/68 have been received by subsidiary companies and are brought into credit in these accounts. £24·6 million was similarly received and credited in the 1966 accounts.

A claim was provisionally established in 1966 under section 85 (one-year surplus) amounting to £33·7 million. £3·5 million was credited in 1966 and £1·6 million has been brought into credit in these accounts offsetting to that extent the withholding tax liability on the 1967 dividends of the parent company. The remaining £28·6 million is available for use in the future.

Note (3) **Previous year's tax recovery**

In the 1966 accounts it was reported that the position of the group with regard to certain United Kingdom income tax claims for 1965 was obscure and that £18 million received on account thereof in 1966 had been credited in those accounts. A further £15 million payment on account was received in 1967 and is brought into these accounts.

Balance Sheets as at 31st December 1967

Figures are in £ million

Parent company 1966	Parent company 1967		Group 1967	Group 1966
—	—	**Properties and operating assets** (schedule A, page 17)	**829·5**	648·5
38·3	**54·4**	**Investment in associated companies** (schedule B, page 17)	**319·6**	300·8
791·7	**921·3**	**Investment in subsidiary companies** (note 8, page 21)	—	—
16·1	**24·5**	**Long-term receivables**	**86·7**	72·8
57·8	**18·4**	**Current assets less current liabilities** (schedule C, page 18)	**355·3**	287·5
903·9	**1,018·6**	**TOTAL ASSETS LESS CURRENT LIABILITIES**	**1,591·1**	1,309·6
		Deduct		
66·4	**97·8**	**Finance debts** (schedule D, page 18)	**386·8**	264·1
7·6	**3·8**	**Deferred liabilities** (note 11, page 22)	**22·2**	22·7
—	—	**Insurance funds and provisions**	**14·5**	13·8
—	—	**Pension provisions** (note 14, page 23)	**13·9**	10·3
—	—	**Minority shareholders' interests**	**20·9**	17·4
74·0	**101·6**		**458·3**	328·3
829·9	**917·0**	**NET ASSETS** REPRESENTING STOCKHOLDERS' INTEREST	**1,132·8**	981·3
350·5	**369·5**	**Issued preference and ordinary capital**	**369·5**	350·5
36·0	**78·0**	**Share premium account** (note 5, page 21)	**78·0**	36·0
113·8	**134·7**	**Capital and preference stock reserves** (schedule E, page 19)	**172·3**	125·5
329·6	**334·8**	**Revenue reserves** (schedule F, page 19)	**513·0**	469·3
829·9	**917·0**	**STOCKHOLDERS' INTEREST**	**1,132·8**	981·3

MAURICE BRIDGEMAN
F. E. HARMER
Directors

The schedules on pages 17 to 19 and the notes on pages 20 to 23 form part of these Balance Sheets

Schedules to Balance Sheets

Figures are in £ million

A Properties and operating assets

—Group (note 2, page 20 and note 6, page 21)

	1967			1966		
	Cost	**Investment grants (£19·0) and provisions**	**Net**	Cost	Investment grants (£5·3) and provisions	Net
Production and exploration	**276·9**	**144·3**	**132·6**	235·6	121·4	114·2
Tankers	**181·7**	**92·3**	**89·4**	168·1	80·2	87·9
Refineries	**584·0**	**292·5**	**291·5**	487·3	251·2	236·1
Marketing, etc.	**428·2**	**183·2**	**245·0**	352·1	144·4	207·7
Petroleum chemicals	**141·3**	**70·3**	**71·0**	4·0	1·4	2·6
	1,612·1	**782·6**	**829·5**	1,247·1	598·6	648·5

B Investment in associated companies

—Group (note 2, page 20)

	1967			1966		
	Cost	**Provisions**	**Net**	Cost	Provisions	Net
Production and exploration	**140·9**	**35·3**	**105·6**	149·2	42·6	106·6
Tankers	**0·9**	—	**0·9**	1·1	—	1·1
Refineries	**57·8**	—	**57·8**	48·1	—	48·1
Marketing, etc.	**114·2**	**1·8**	**112·4**	103·3	1·4	101·9
Petroleum chemicals	**45·2**	**2·3**	**42·9**	45·4	2·3	43·1
	359·0	**39·4**	**319·6**	347·1	46·3	300·8

—Parent company

	Cost	**Provisions**	**Net**	Cost	Provisions	Net
Investment included in above group figures	**54·7**	**0·3**	**54·4**	38·6	0·3	38·3

Schedules to Balance Sheets

Figures are in £ million

C Current assets less current liabilities

Parent company 1966	Parent company 1967		Group 1967	Group 1966
		Current assets		
		Liquid resources		
24·3	**37·1**	Cash	**70·0**	53·2
46·7	**29·9**	Treasury bills, corporation and other loans	**35·9**	49·7
37·7	**20·1**	Government securities (note 13, page 23)	**34·4**	53·6
108·7	**87·1**		**140·3**	156·5
11·0	**12·6**	Debtors (including withholding tax account)	**409·0**	286·7
—	—	Stocks of oil and chemicals (note 4(a), page 20)	**139·4**	97·0
—	—	Stocks of stores (note 4(b), page 20)	**27·9**	18·9
119·7	**99·7**		**716·6**	559·1
		Current liabilities		
10·5	**14·7**	Creditors and overseas taxation	**270·9**	191·8
—	—	Provisions, including contingencies	**23·8**	28·4
51·4	**66·6**	Dividends	**66·6**	51·4
61·9	**81·3**		**361·3**	271·6
57·8	**18·4**		**355·3**	287·5

D Finance debts

Parent company 1966	Parent company 1967		Group 1967	Group 1966
64·6	**70·0**	Long-term (note 9, page 22)	**236·6**	186·7
1·8	**15·8**	Short-term and acceptances (secured £4·4 million)	**95·6**	44·4
—	**12·0**	Bank loans and overdrafts (secured £2·2 million)	**54·6**	33·0
66·4	**97·8**		**386·8**	264·1

E Capital and preference stock reserves

	1967		1966	
Parent company				
CAPITAL RESERVES at 1st January		**103·8**		86·9
Received from Iranian consortium members		**18·3**		14·7
Received from Iranian government		—		2·5
		122·1		104·1
Less capital increase and long-term debt expenses		**0·3**		0·3
		121·8		103·8
Increase as a result of devaluation (note 2, page 20)				
To cost of shares in associated companies	**2·5**			
To cost of net overseas indebtedness	**0·4**	**2·9**		
		124·7		103·8
PREFERENCE STOCK RESERVE		**10·0**		10·0
		134·7		113·8
Subsidiary companies				
CAPITAL RESERVES at 1st January	**11·7**		12·3	
Increase as a result of devaluation (note 2, page 20)	**38·2**			
	49·9			
Less premium on acquisition of chemical subsidiary companies	**12·0**			
Decrease during the year	**0·3**	**37·6**	0·6	11·7
		172·3		125·5

F Revenue reserves

	1967		1966	
Parent company				
GENERAL RESERVE at 1st January	**319·8**		307·0	
Provision no longer required	—	**319·8**	12·8	319·8
REVENUE ACCOUNT at 1st January	**9·8**		9·3	
Retained income for the year	**5·2**	**15·0**	0·5	9·8
		334·8		329·6
Subsidiary companies (note 12, page 22)				
REVENUE RESERVES at 1st January	**139·7**		85·9	
Retained income for the year	**38·2**		53·9	
	177·9		139·8	
Transfer from capital reserves	**0·3**	**178·2**	(0·1)	139·7
		513·0		469·3

Notes on accounts

THESE NOTES FORM PART OF THE ANNUAL ACCOUNTS

1 **Composition of the group accounts**

The group accounts comprise a consolidation of the accounts of the parent company and all its subsidiaries except for a number of minor companies the consolidation of whose accounts would have caused undue delay in presentation and whose income is insignificant. In the case of Abu Dhabi Marine Areas Limited and Dubai Marine Areas Limited, the one-third interest of Compagnie Francaise des Petroles has been excluded.

There has been brought into the income of the year the group proportion of the earnings of the main associated companies engaged in crude oil production (see also note 7).

A large number of subsidiary companies are registered in countries outside the United Kingdom and are controlled by local management. As a result of the inclusion of the accounts of these companies the group accounts embody variations in accounting methods appropriate to local legislation or conditions. These are within the limits of generally accepted accounting principles in all material respects.

The investment at cost of £0·9 million in the subsidiary companies not dealt with in the group accounts to which reference is made above has, in the group balance sheet, been included with investment in associated companies.

2 **Devaluation of sterling and conversion of currencies**

(*a*) Capital.

In the group accounts, following and in consequence of the devaluation of sterling on the 18th November 1967, there has been an alteration to the basis of converting into sterling the majority of properties, operating assets and investments recorded in currencies other than sterling.

In past years the rates used for conversion were those ruling at the time of acquisition. At 31st December 1967 conversion into sterling has been made at the rates ruling at that date except for certain properties and operating assets, mainly in production areas where most of the capital expenditure was incurred in sterling, which are still converted as previously. Long-term receivables, current assets and all liabilities have been converted at the year-end rates.

In order to achieve consistency of treatment, the sterling cost of investments in associated companies registered in countries whose currencies have not devalued have, where appropriate, been adjusted to reflect the devaluation of the pound.

The result of these changes in the basis of accounting and the effect of devaluation have given rise to a surplus of £41·1 million which has been credited to capital reserves. Of this surplus £2·9 million is in the parent company and £38·2 million in subsidiary companies.

(*b*) Revenue.

Arising mainly from the position at the date of devaluation of indebtedness between group companies registered in the United Kingdom and other companies, including subsidiaries, located in countries which did not devalue in line with sterling, there is approximately £14 million additional net income included in these accounts.

3 **Production and exploration interests**

Full provision has been made against the group's proportion of exploration expenditure in non-proven areas whether owned directly or indirectly.

4 **Stocks**

(*a*) Stocks of oil and chemicals are valued at approximate group cost excluding the effect of the closure of the Suez canal.

(*b*) Stocks of stores are valued at or below cost.

5 **Authorised and issued capital of the parent company**

The authorised capital was increased during the year by £50 million to £425 million.

The issued capital at 31st December was

	1967	*1966*
	£	*£*
8% cumulative first preference stock	7,232,838	*7,232,838*
9% cumulative second preference stock	5,473,414	*5,473,414*
Ordinary stock	356,760,111	*337,760,111*
	£369,466,363	*£350,466,363*

Of the £356,760,111 ordinary stock issued at 31st December 1967, Her Majesty's Government in the United Kingdom owned £174,461,538 (48·9 per cent) and The Burmah Oil Company, Limited £82,857,365 (23·23 per cent), whilst the remainder (27·87 per cent) was held by approximately 93,000 stockholders.

On 31st March 1967 19,000,000 ordinary shares of £1 each, fully paid, were issued to The Distillers Company Limited, the premium amounting to £42 million. These shares were converted into stock units of £1 each.

6 **Properties and operating assets**

Assets at cost amounted to £1,612·1 million at 31st December 1967. The following shows the movements during the year. Additions include assets of companies which became subsidiaries in 1967.

	Production and exploration	Tankers	Refineries	Marketing, etc.	Petroleum chemicals	Total
	£ million	£ million	£ million	£ million	£ million	£ million
1st January	235·6	168·1	487·3	352·1	4·0	1,247·1
Deletions	3·2	1·6	1·9	10·7	—	17·4
	232·4	166·5	485·4	341·4	4·0	1,229·7
Additions	36·0	13·7	50·9	32·5	136·8	269·9
Devaluation adjustment	8·5	1·5	47·7	54·3	0·5	112·5
31st December	276·9	181·7	584·0	428·2	141·3	1,612·1

7 **Associated companies**

Crude oil production is mainly dealt with through associated companies. The group share of the estimated earnings for the year of the companies concerned, based on the latest information available, amounts to £13·2 million which has been reflected in the group income by way of a reduction in operating costs. At 31st December 1967 £18·4 million of the accumulated earnings had not been distributed and equivalent amounts have been retained in the revenue reserves of the subsidiary companies holding the investments.

Dividends and interest of £11·2 million (*£9·8 million*) received from other associated companies are included in the group income statement as part of other income. The group share of the revenue reserves of these other associated companies at 31st December 1967 was approximately £15 million.

As indicated in note 2 the cost of the investments in certain associated companies has been adjusted to reflect the devaluation of sterling.

8 **Subsidiary companies**

The parent company's investment at 31st December 1967 in its subsidiary companies of £921·3 million (*£791·7 million*) comprises shares at cost (at original sterling value) less provisions £148·6 million (*£148·9 million*) together with advances, current accounts and accrued dividends £772·7 million (*£642·8 million*).

9 Long-term debts

Long-term debts are those which are wholly or in part repayable in more than five years from the dates of borrowing.

	Currencies in millions	Interest rate % (approximate)	Repayable by	1967 £ million		*1966 £ million*	
PARENT COMPANY							
Swiss francs	225	4½	1980	21·7		*18·6*	
Deutschemarks	100	5½	1980	10·4		*9·0*	
United States dollars	25	6¾	1978	10·4		*9·0*	
Total non-sterling area				42·5		*36·6*	
Sterling							
Debenture stock		5	1978	11·8		*11·9*	
Debenture stock These two stocks are secured by a floating charge on the assets		6	1980	15·7	70·0	*16·1*	*64·6*
SUBSIDIARY COMPANIES							
Canadian dollars	108	5¾	1986	41·5		*36·1*	
Deutschemarks	351	6½	1982	36·5		*17·1*	
United States dollars	60	5½	1985	24·9		*19·6*	
Dutch florins	178	6	1994	20·5		*17·9*	
Italian lire	10,000	7¾	1976	6·7		*5·8*	
Swedish kronor	81	7	1989	6·5		*5·1*	
Austrian schillings	175	7¼	1980	2·8		*1·9*	
Belgian francs	213	6¼	1976	1·8		*1·2*	
Danish kroner	26	7½	2005	1·4		*1·3*	
Swiss francs	13	5½	1984	1·3		*0·1*	
Other currencies		4¾	1990	0·5		*0·6*	
Total non-sterling area				144·4		*106·7*	
Australian dollars	24	7	1985	11·1		*8·8*	
New Zealand dollars	4	6¾	1980	1·9		*1·8*	
Sterling		6	1991	9·2	166·6	*4·8*	*122·1*
					236·6*		*186·7*

* Devaluation has had the effect of increasing by approximately £28 million the group long-term debts. Of these, £106·9 million (*£79·4 million*) are secured.

10 Interest

Interest on long-term debts amounts to £12·3 million (*£9·2 million*) and on short-term debts £8·0 million (*£5·2 million*).

11 Deferred liabilities

Deferred liabilities are amounts, other than long-term debts, which become due for settlement after 31st December 1968.

12 Revenue reserves

Subsidiary companies' revenue reserves of £178·2 million at 31st December 1967 include amounts totalling £143·0 million which have been subjected to United Kingdom taxation.

13 **Government securities**

The market value of government securities compared with book value at 31st December 1967

	Market value	Book value
Parent company	£20·9 million	£20·1 million
Group	£35·3 million	£34·4 million

Government securities with a market value of £12·6 million (book value £12·5 million) are held by The Tanker Insurance Company, Limited and are included in the group figures.

14 **Pension provisions**

Certain European subsidiary companies have made provisions totalling £13·9 million, largely on the basis of actuarial assessment, for their unfunded pension arrangements; others, in accordance with local practice, charge current pension payments against income.

15 **Commitments and contingent liabilities**

(*a*) The estimated amount for the group in respect of contracts for capital expenditure so far as not provided for is £97 million at 31st December 1967.

(*b*) There are contingent liabilities at 31st December 1967 in respect of guarantees, indemnities, etc., entered into as part of the ordinary course of the group's business, upon which no material losses are likely to arise.

16 **Remuneration of Directors and Auditors**

(*a*) Directors of the company £250,191 (*£242,750*), made up of fees £22,750 (*£22,750*) and other emoluments £227,441 (*£220,000*). Pensions and commutations of pensions to former Managing Directors and their dependants £181,690 (*£96,322*).

(*b*) Auditors of group companies £294,000 (*£241,000*) of which the parent company £18,500 (*£16,000*).

Report of the Auditors

TO THE MEMBERS OF THE BRITISH PETROLEUM COMPANY LIMITED

We have examined the accounts of THE BRITISH PETROLEUM COMPANY LIMITED set out on pages 14 to 23. Incorporated in the group accounts are accounts of subsidiaries audited by other auditors.

In our opinion the company's balance sheet and the group accounts have been properly prepared in accordance with the provisions of the Companies Act 1948 and give for the company and for the group a true and fair view of the state of affairs at 31st December 1967 and of the net income for the year.

WHINNEY MURRAY & CO.

Chartered Accountants

London, 28th March 1968.

Capital expenditure

Figures are in £ million

	1967		1966	
Expenditure by group companies				
Production and exploration	**35·9**		39·0	
Tankers	**8·3**		5·9	
Refineries	**49·1**		57·1	
Marketing, etc.	**34·4**		34·0	
Petroleum chemicals	**17·0**	**144·7**	0·7	136·7
Expenditure by associated companies—Group proportion				
Production and exploration	**23·3**		20·7	
Refineries	**23·0**		21·5	
Marketing, etc.	**13·4**		12·4	
Petroleum chemicals	**6·6**	**66·3**	15·0	69·6
Capital expenditure for the year		**211·0**		206·3

Acquisition of chemical interests from The Distillers Company and other companies (not included above) £72 million.
satisfied by the issue of 19 million £1 fully paid ordinary shares of the parent company together with cash £11 million.

Finance summary

	1967		1966	
Amounts retained				
Group companies—				
Retained income	**43·4**		54·4	
Capital reserves	**18·3**		17·2	
Depreciation	**78·4**	**140·1**	58·9	130·5
Associates (group proportion)—				
Depreciation, etc.		**34·0**		27·0
		174·1		157·5
New capital subscribed by ordinary stockholders		**—**		60·1
New borrowings less repayments*				
Group companies	**57·0**		52·3	
Associates (group proportion)	**8·0**	**65·0**	13·0	65·3
		239·1		282·9
Working capital, etc.* Group companies and associates (group proportion)		**8·4**		59·3
Utilised for capital expenditure	**211·0**		206·3	
Utilised for chemical interests acquisition	**11·0**		—	
Utilised for long-term receivables*	**8·7**	**230·7**	17·3	223·6

*Excluding devaluation changes.

Comparative statistics

	1967	1966	1965	1964	1963	1958
Group sales						
in millions of tons						
Crude oil	**51·0**	45·5	41·3	40·8	35·6	25·9
Products including chemicals	**77·4**	73·8	69·6	64·0	56·9	34·5
Total	**128·4**	119·3	110·9	104·8	92·5	60·4
in millions of cubic feet						
Natural gas	**47,547**	23,005	8,761	5,600	3,377	
Gross income – £ million	**1,726·8**	1,453·4	1,334·9	1,242·7	1,126·7	835·2
Income before taxation – £ million	**243·9**	228·2	207·1	210·0	191·6	138·2
Net income – £ million	**64·2**	79·1	80·6*	82·5*	82·8*	63·0*
Return on average capital employed	**5·9%**	7·8%	8·6%	9·7%	10·6%	14·1%
Distributions (net) to ordinary stockholders						
£ million	**38·6**	41·0	36·5	36·5	34·8	17·7
per unit	**2/2d**	2/4d	2/4d	2/4d	2/2·7d	1/2·6d
Middle East and Libya						
Taxation	**172·3**	144·3	126·6	121·2	97·8	78·8
Royalties, etc.	**71·3**	65·3	59·5	57·1	50·5	40·0
Total – £ million	**243·6**	209·6	186·1	178·3	148·3	118·8
Total assets less current liabilities – £ million	**1,591·1**	1,309·6	1,119·4	985·9	893·1	501·5
Issued capital and reserves – £ million	**1,132·8**	981·3	837·7	782·0	723·6	406·0
Capital expenditure						
Group companies	**144·7**	136·7	141·9	121·8	81·3	96·0
Associates (group proportion)	**66·3**	69·6	65·1	47·3	47·4	41·5
Total – £ million	**211·0**	206·3	207·0	169·1	128·7	137·5
Amounts retained						
Group companies	**140·1**	130·5	115·5	112·7	114·1	102·7
Associates (group proportion)	**34·0**	27·0	28·5	28·0	27·5	11·4
Total – £ million	**174·1**	157·5	144·0	140·7	141·6	114·1
New long-term borrowing – £ million Group companies and associates (group proportion)	**34·1**	41·5	74·4	15·7	5·2	52·4

*Including benefit of United Kingdom investment allowances.

Survey of operations

Production and exploration

Our percentage shareholding in companies producing oil is shown on page 29. From these sources we obtained during 1967 a total of some 132 million tons compared with 122 million tons in 1966.

Iran

The quantity of crude oil exported by the consortium or processed at Abadan for export as products amounted to 114 million tons during 1967, an increase of 22 per cent over the previous year. Operations were uninterrupted throughout the year.

Additional capacity for the production of crude oil was developed at the Marun and Bibi Hakimeh oilfields, and the capacity of the pipeline system from the oilfields to the Kharg export terminal was further increased by the commissioning of a booster station at Gurreh.

In March 1967, 25 per cent of the agreement area was relinquished. Exploration of the remainder continued, and during the year new oilfields were discovered at Chashm-e-Khush, Par-e-Siah and Kilur Karim. The development of Bandar Mah-Shahr as the products export terminal continued, and it was officially inaugurated by H.I.M. the Shah on 4th December.

Iraq

Exports of crude oil from Iraq during the year totalled 56 million tons, a decrease of 12·5 per cent compared with 1966. The flow of oil to the Mediterranean ports of Banias and Tripoli, interrupted at the end of 1966, was resumed in March 1967. In the same month, the Iraq Petroleum Company concluded supplemental agreements with the Syrian and Lebanese governments embodying revised transit dues.

Kuwait

Exports of crude oil and products from the Kuwait Oil Company's operations totalled 113 million tons, marginally more than the 112 million tons exported during 1966. Cumulative production from the Burgan field now exceeds 1,000 million tons. Additional production capacity was developed at Minagish, and development drilling was carried out mainly in the Burgan, Magwa, Ahmadi and Umm Gudair oilfields.

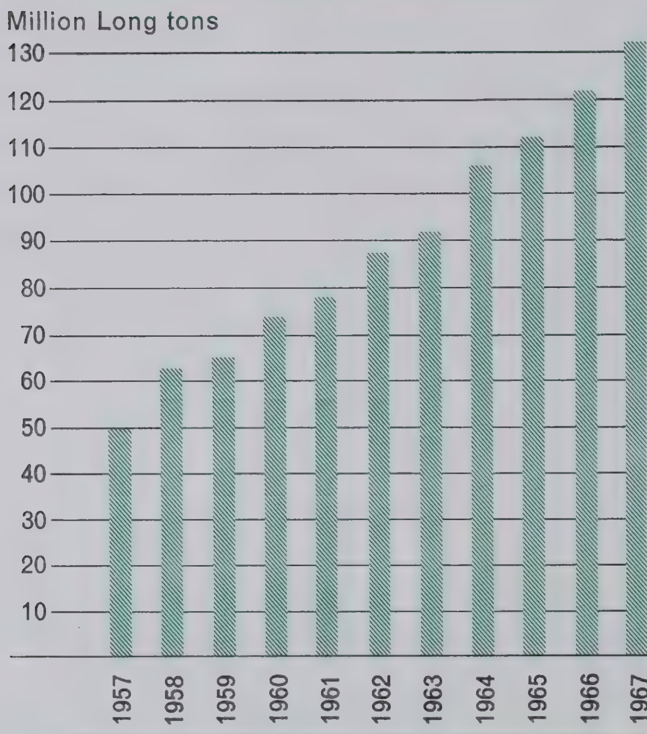
Work was begun on the construction, some nine miles offshore, of a deep-water crude oil loading terminal capable of handling the largest tankers under construction.

Abu Dhabi

Exports from the land areas held by Abu Dhabi Petroleum Company amounted to 12 million tons during 1967. Production capacity was increased by the commissioning in December of additional facilities at Bu Hasa.

BP GROUP

Crude Oil Production



During the year 6,500 square kilometres of the company's concession area were relinquished.

Exports from Abu Dhabi Marine Areas were 5·7 million tons. The Zakum field was brought on stream during November 1967. In January 1968 a new loading berth at Das island for tankers of 200,000 tons was commissioned. Fifteen per cent of the concession area was relinquished under the terms of the agreement with the Ruler.

Dubai

In the Dubai offshore area, three wells have been drilled on the oil-bearing Fateh structure, and commercial discovery was declared in April 1967.

Plans for further drilling and for production and loading facilities are now being implemented.

Libya

Exports from the jointly-owned Sarir field started in January 1967, and during the year amounted to just under 8 million tons of crude oil. During the first half of 1967 production was at the rate of 5 million tons per annum, but following the closure of the Suez canal it was increased, reaching a rate of about 15·5 million tons a year by the end of December. Additional facilities are being installed to consolidate production capacity.

A small oil-bearing structure found in BP's concession 80 is being evaluated.

Trinidad

Our land production totalled 1,370,000 tons. Owing to the absence of new reserves and the exhaustion of available locations, all drilling ceased on land on 31st March 1967. BP (Trinidad) held discussions with the government to examine ways by which the three companies it manages, Trinidad Petroleum Development, Apex and Kern, could continue to be operated economically. Proposed labour reductions were referred on the union's initiative to the Industrial Court, where the company's case has so far been only partially accepted. As it appeared that Trinidad Petroleum Development, in the equity of which BP holds an interest of 88 per cent, would probably make little or no profit over the next ten years and would be unlikely to pay a dividend in the foreseeable future, an extraordinary general meeting held in May resolved to put the company into liquidation. A liquidator has been appointed, and efforts are being made to dispose of the undertaking.

In offshore operations, in which BP holds a one-third interest, 13 semi-appraisal wells, three dry, and 14 development wells, including one dry, were drilled. Production totalled 934,000 tons.

The Trinidad government has proposed changes in the tax structure which would radically alter the basis of petroleum taxation, both on land and offshore, to the detriment of the industry. Discussions with the government on this subject are in progress.

Colombia

Sinclair and BP Colombia participated in the drilling and completion of three wells. The introduction of a new exchange rate for investments in exploration and most other petroleum activities may encourage further activity during 1968. The new LPG plant with a gas input of about 45 million cubic feet a day was on stream by the end of 1967.

Canada

In pursuance of a policy of land acquisition the Triad group increased its interests during 1967 from 3·1 million acres to 3·7 million acres. A total of 81 wells, in which the group had an interest, was drilled

Crude oil production

Company	BP Group Shareholding *Per cent*	Total Crude Oil Production 1966 *Tons*	1967 *Tons*
IRAN			
Iranian Oil Exploration and Producing Company (through Iranian Oil Participants)	40	98,829,000	120,918,000
IRAQ			
Iraq Petroleum	23¾	42,674,000	37,626,000
Basrah Petroleum		22,742,000	20,049,000
Mosul Petroleum		1,262,000	1,264,000
KUWAIT			
Kuwait Oil	50	112,556,000	113,367,000
QATAR			
Qatar Petroleum	23¾	8,916,000	9,070,000
ABU DHABI			
Abu Dhabi Marine Areas	66⅔	4,986,000	5,886,000
Abu Dhabi Petroleum	23¾	12,054,000	12,166,000
TRINIDAD			
BP (Trinidad)*	100	1,291,000	1,431,000
Trinidad Petroleum Development	88	883,000	873,000
LIBYA			
BP Exploration (Libya)**	100	—	8,056,000
NIGERIA			
The Shell-BP Petroleum Development Company of Nigeria	50	17,436,000	11,963,000
UNITED KINGDOM			
BP Petroleum Development	100	77,000	88,000
CANADA			
Triad Oil	62½	832,000	782,000
USA			
BP Exploration U.S.A. / St. Helens Petroleum	100	384,000	478,000
COLOMBIA			
BP Exploration (Colombia)	100	362,000	332,000
GERMANY			
Gewerkschaft Norddeutschland	100	3,000	2,000

*Including Apex (Trinidad) Oilfields and Kern Trinidad Oilfields
**Wholly-owned subsidiary holding half interest in producing concession

in Alberta, British Columbia and Saskatchewan. Of these, 51 were for development and 30 were exploration wells, of which five yielded discoveries, three of oil and two of gas.

At Marguerite Lake we are conducting experiments for the production of heavy crude oil by means of steam injection. The first phase of the project, which was virtually completed by the end of the year, was encouraging and a second experiment is in progress.

USA

A higher level of production, using steam injection and stimulation, was achieved throughout 1967 for the Kern River unit, California.

During the year, 14 successful development wells were drilled in the Ship Shoal unit, Louisiana.

In Alaska, a well being drilled on Sinclair/BP acreage by Union Oil under a farm-out agreement was abandoned.

Nigeria

The joint Shell-BP exploration and production company produced nearly 12 million tons of oil during the period up to 25th July when operations had to be suspended. Production operations remain in suspense, but development of new facilities is planned for the area west of the river Niger.

United Kingdom

In the North Sea, development of the West Sole gas field continued throughout the year, seven more wells being completed. All were producers. Gas deliveries to the shore, the first from the North Sea, began in March in advance of the contract date of 20th July 1967. By the year's end a total of 17,000 million cubic feet of gas had been delivered to the Gas Council. In addition, BP's marine drilling rig 'Sea Quest' drilled two exploration wells elsewhere in the North Sea, which were abandoned, and began a third.

In January 1968 the 'Sea Quest' broke adrift in heavy weather, but was safely recovered, the wellhead on the sea bed remaining undamaged. Some modifications proved necessary before returning her to service. During February the well started to blow gas. The drilling rig 'Constellation' was promptly made available by the Arpet group to drill a relief well to enable the well to be killed.

On land our production was 88,000 tons, bringing the cumulative total produced from BP's English fields to over 2 million tons.

Kenya

Drilling and seismic operations continued in the two areas held under licence by BP-Shell Petroleum Development of Kenya, in which BP's interest is 50 per cent. The Wal Merer No. 1 well was finally abandoned at 12,446 feet in April 1967 without significant showings of oil or gas.

Australia and Papua

In Australia, BP participated in the drilling of two tests offshore and one on land, but all were dry. Test drilling is currently in progress in the large marine concessions off north-west Australia referred to in last year's report.

In Papua, a further test well was drilled to 12,025 feet, but was dry and was abandoned. BP has recently increased its interest in the joint ventures here.

New Zealand

Agreement was reached with the New Zealand government on terms of sale for the natural gas discovered in 1959, and development work is now nearing completion. Marine seismic surveys have continued offshore, and consideration is being given to the drilling of a test well off the west coast of the North Island.

South Africa

Petroleum licences were granted to a consortium of oil companies, including BP, over a portion of the continental shelf of South Africa, and magnetic and geological surveys were carried out from the air.

Germany

Gewerkschaft Norddeutschland added to its interests in a number of areas with natural gas possibilities, including West Berlin.

Netherlands

We applied for joint exploration rights in the Netherlands area of the North Sea and in March 1968 received licences covering 962 square miles.

Thailand

During the year we obtained provisional exploration licences covering 16,000 square miles offshore in the Gulf of Thailand.

Sea transport

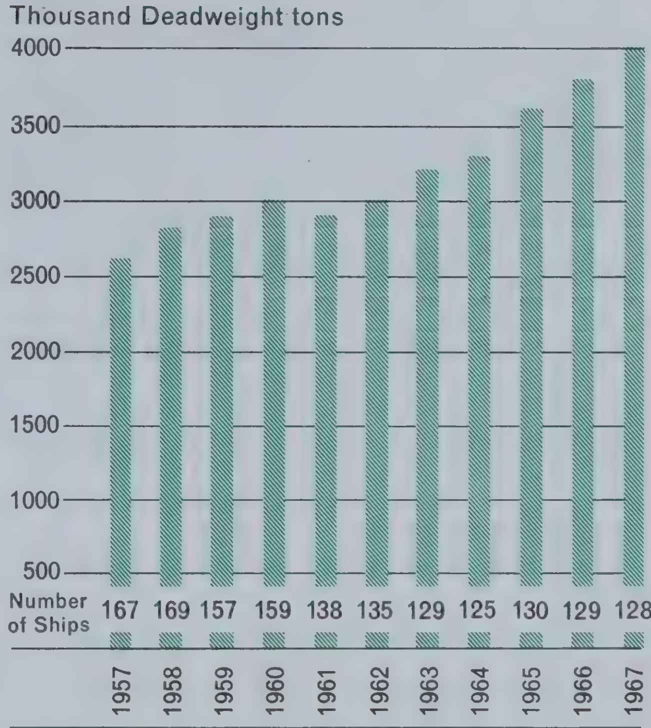
At the end of 1967 BP's fleet and those of its subsidiary and associated companies totalled 128 ships of 3,966,000 tons*, compared with 129 ships of 3,817,000 tons at the end of 1966. During 1967 we sold for scrap three of the older and less economic tankers totalling 37,000 tons. Two new vessels totalling 88,000 tons were commissioned during the same period. Adjustments to deadweights to conform with new loadline regulations accounted for a further increase of 98,000 tons. In addition, we have some 4,700,000 tons of shipping on long-term charter. The number of ships on short-term charter has been greatly increased by the closure of the Suez canal.

The BP group has under construction or on order a further seven specialised product carriers totalling about 154,000 tons, one vessel of 122,000 tons and three vessels of 200,000 tons each. A letter of intent has been signed for a fourth vessel of 200,000 tons. We have arranged long period charters on a number of tankers of about 200,000 tons each, due to enter our service for periods of between 10 and 15 years, beginning in 1969/71. When these arrangements are completed we shall have over 20 vessels of 200,000 tons at our disposal.

**Tonnages given throughout in deadweight tons.*

BP GROUP

Tanker Tonnage



Pipelines

Last year two major pipelines in Europe in which we have shareholdings were commissioned. The Transalpine pipeline is now pumping crude oil over the Alps from Trieste to Ingolstadt and on to Karlsruhe via the Rhine-Danube pipeline, through which the flow now runs from east to west. The Rhine-Main product pipeline from Dinslaken to Ludwigshafen is now fully commissioned, and work continues on the completion of the link from Dinslaken to Rotterdam.

The South European pipeline carried approximately 29 million tons of crude oil from the Mediterranean to the Strasbourg/Karlsruhe area.

Our arrangements with the owners of the Central European line from Genoa to Ingolstadt now include throughput rights for the supply of crude oil to our projected refinery at Volpiano, near Turin.

Work is in hand for the construction of the Adriatic-Vienna crude oil pipeline which will also serve a refinery to be built near Graz in which we will have a shareholding.

In conjunction with other Antwerp refiners, we have sponsored a proposal that a pipeline should be constructed to permit crude oil unloaded at Rotterdam from large tankers to supply refineries at Antwerp. The Belgian and Netherlands governments are now considering it.

In the field of product pipelines, in addition to the completed Rhine-Main line already mentioned, the French government has authorised the Mediterranean-Rhône line from Lavéra to the Lyons area and the Swiss border, where it will connect with a short spur to Geneva.

It is hoped in 1968 to commission a major portion of the United Kingdom Oil Pipeline, in which we have an interest through Shell-Mex and B.P.

Refining

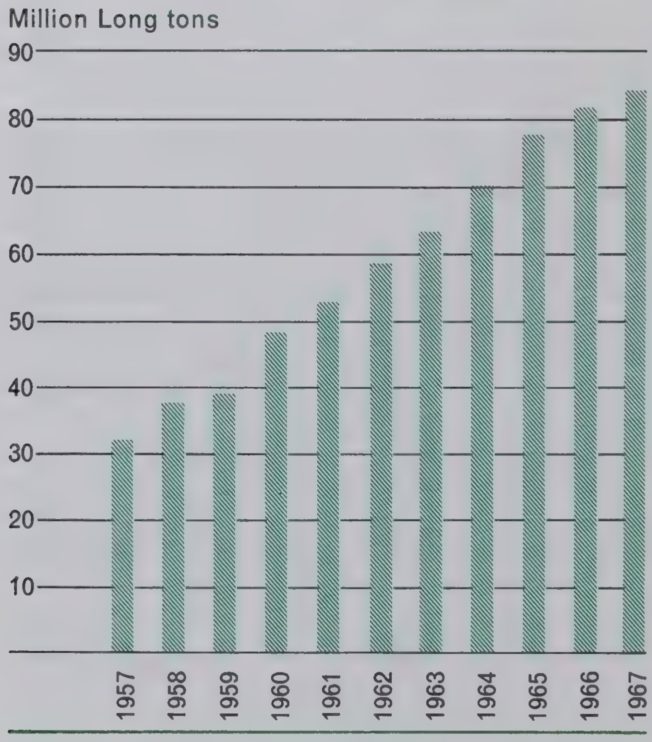
In 1967 the total quantity of crude oil processed on our account in our wholly-owned and partly-owned refineries as well as that refined under arrangements elsewhere, was 84 million tons, compared with 81 million tons in 1966. The number of our wholly-owned refineries is now 15 because of the addition of the refinery at Vohburg in Bavaria, which was being commissioned towards the end of 1967. The number of partly-owned refineries is 23, including that at Umtali in Rhodesia, which however has not been in operation since January 1966.

Record throughputs were achieved at Dunkirk, Lavéra, Hamburg, Trafalgar (Canada) and Singapore, and throughputs on our account at the associated refineries at Abidjan, Dakar, Durban, Mersin, Venice and Whitegate were also higher than in any previous year. Decreases in throughput at some other refineries, when compared with 1966, were due mainly to the Middle East crisis.

Three large wholly-owned refineries, each of 4·5 million tons a year capacity, were brought into operation. One, at Gothenburg, is the largest in Scandinavia, and was officially opened in September 1967 by H.R.H. Princess Alexandra. The second, at Rotterdam, was opened in July 1967 by Dr. Luns, the Netherlands Minister of Foreign Affairs. The third is at Vohburg as already mentioned. This last is fed with crude oil through the Transalpine and Central European pipelines. The jointly owned refinery at Port Gentil in Gabon, which has a capacity of 600,000 tons a year, was brought on stream late in 1967.

BP GROUP

Refinery Throughput



Work has begun on our new refineries at Vernon, near Paris, due to be commissioned in 1969, and at Volpiano near Turin, which is planned to come on stream in 1970. We have an interest also in the new refinery to be built at Larnaca in Cyprus, and plans for a new joint refinery at Graz in Austria are being negotiated.

Port Harcourt refinery has been closed since July because of the Nigerian situation. At Aden our refinery has continued to operate both throughout the transition period and now under the new government of South Yemen; our staff, both national and British, have maintained the operations at a high standard of efficiency in spite of all the difficulties they have had to encounter.

Existing refineries have been expanded and improved throughout the year. At Grangemouth work is in hand on a major expansion scheme. This will include a new crude oil distillation unit which will raise the capacity from 4·5 to 9 million tons per annum, and also a large new vacuum distillation unit and hydrocracker. Associated with the latter will be facilities for the production of hydrogen and a sulphur recovery plant. The expansion will also include a catalytic reformer and an aromatics extraction plant providing feedstock to BP-California. There will be a major extension of the power station and an increase in the despatch facilities for products. This development will also include expansion at the Finnart ocean terminal and a new 20-inch pipeline from Finnart to Grangemouth. At Llandarcy a new plant for the upgrading of gas oils has been commissioned. We plan to increase the capacity of the catalytic crackers at Grangemouth, Kent and Llandarcy to augment the output of high octane gasolines.

At Montreal we have commissioned a new crude oil distillation unit, raising the capacity to 3 million tons a year. In Antwerp, where the group has a 50 per cent interest, we have completed a new crude oil distillation unit, with integral treating plant,

Refinery throughput

Company	Refinery Location	BP Group Shareholding	Total Throughput 1966	Total Throughput 1967
		Per cent	*Tons*	*Tons*
UNITED KINGDOM				
BP Refinery (Kent)	Isle of Grain	100	10,292,000	9,369,000
BP Refinery (Llandarcy)	Llandarcy	100	6,607,000	6,583,000
BP Refinery (Grangemouth)	Grangemouth	100	4,275,000	4,246,000
BP Refinery (Northern Ireland)	Belfast	100	1,020,000	1,054,000
ADEN				
BP Refinery (Aden)	Aden	100	6,903,000	5,653,000
ALGERIA				
Société de la Raffinerie d'Alger*	Algiers	10⅓	1,479,000	—
AUSTRALIA				
BP Refinery (Kwinana)	Kwinana	100	3,139,000	2,895,000
BP Refinery (Westernport)	Westernport	100	361,000	1,245,000
BELGIUM				
Société Industrielle Belge des Pétroles	Antwerp	50	8,860,000	9,271,000
CANADA				
BP Refinery Canada	Montreal	100	1,787,000	1,678,000
	Trafalgar (Ontario)	100	1,325,000	1,432,000
EIRE				
Irish Refining (through Shell-Mex and B.P.)	Whitegate	16	1,528,000	2,423,000
FRANCE				
Société Française des Pétroles BP	Dunkirk	70	4,576,000	5,063,000
	Lavéra	70	4,399,000	4,623,000
Raffinerie de Strasbourg	Strasbourg	23¼	4,043,000	4,072,000
GABON				
Société Equatoriale de Raffinage	Port Gentil	3	—	90,000
GERMANY				
BP Benzin und Petroleum	Hamburg	100	3,450,000	3,657,000
	Dinslaken (Ruhr)	100	4,842,000	4,734,000
Oelwerke Julius Schindler	Hamburg	99½	525,000	485,000
IRAN				
Iranian Oil Refining (through Iranian Oil Participants)	Abadan	40	18,750,000	19,356,000
ITALY				
Industria Raffinazione Oli Minerali	Venice	49	2,250,000	3,127,000
Dott. Edoardo Garrone Raffineria Petroli	Genoa	20	5,249,000	5,532,000
IVORY COAST				
Société Ivoirienne de Raffinage	Abidjan	10¼	615,000	647,000
KENYA				
East African Oil Refineries	Mombasa	25½	1,780,000	1,841,000

*BP's interest was sold with effect from 1st January 1967.

Refinery throughput

Company	Refinery Location	BP Group Shareholding *Per cent*	Total Throughput 1966 *Tons*	Total Throughput 1967 *Tons*
KUWAIT				
Kuwait Oil	Kuwait	50	11,140,000	10,961,000
LEBANON				
Iraq Petroleum	Tripoli	23¾	810,000	889,000
MALAGASY REPUBLIC				
Société Malgache de Raffinage	Tamatave	6½	89,000	364,000
NETHERLANDS				
British Petroleum Raffinaderij Nederland	Rotterdam	100	—	2,102,000
NEW ZEALAND				
New Zealand Refining	Whangarei	15	2,563,000	2,498,000
NIGERIA				
Nigerian Petroleum Refining	Port Harcourt	25	1,549,000	829,000†
RHODESIA				
Central African Petroleum Refineries	Umtali	20¾	—	—
SENEGAL				
Société Africaine de Raffinage	Dakar	11¾	457,000	516,000
SINGAPORE				
BP Refinery Singapore	Singapore	100	570,000	723,000
SOUTH AFRICA				
Shell and BP South African Petroleum Refineries ..	Durban	50	2,868,000	3,554,000
SUDAN				
Shell and BP (Sudan)	Port Sudan	50	798,000	740,000
SWEDEN				
BP Raffinaderi (Göteborg)	Gothenburg	100	—	788,000
SWITZERLAND				
Raffinerie du Sud-Ouest	Aigle	24⅓	1,117,000	2,064,000
TURKEY				
Anadolu Tasfiyehanesi	Mersin	17	2,825,000	3,206,000

† Throughput to 8 July 1967.

which raises the capacity from 9 to 14 million tons a year, and we are now commissioning a new catalytic cracker and hydrofiner; we also intend to install a large bitumen manufacturing plant. The Schindler refinery at Neuhof has commissioned a new crude oil distillation unit and further new plant which will produce 100,000 tons a year of naphthenic lubricants. It has thus become one of the largest manufacturers of lubricating oil in Europe. At Venice, the new isomerisation unit, based on a BP process designed for the improvement of the quality of motor spirit, has recently been commissioned. A new lubricating oil manufacturing complex has been brought on stream at Durban, and catalytic cracking and alkylation units for the increased output of high octane gasolines are planned for completion next year. The crude oil distillation capacity is being raised from 3·5 million to about 4·5 million tons a year at the joint

refinery at Mersin in Turkey. Discussions are continuing with other interested parties on the possible expansion of the Whangarei refinery in New Zealand.

During the year a bitumen manufacturing plant was completed at our Westernport refinery in Australia. A new lubricating oil blending and filling installation is planned for Tipton in Staffordshire.

At Venice, work has begun on a new oil harbour which will enable tankers up to 70,000 tons to be received. Work has also started on new storage facilities at Fos near Lavéra permitting the supply of crude oil in 200,000 ton vessels when the jetties being constructed by the port authorities are completed in 1969.

In addition, a crude oil entrepôt is under construction at Europoort, Rotterdam, which will handle tankers of 200,000 tons and store crude oil for delivery to those refineries which can accommodate smaller ocean tankers only. New jetties and storage facilities are being built at Finnart and Angle Bay. As a result, these ports also will be able to handle tankers of 200,000 tons.

Petroleum chemicals

Sales to third parties of chemicals, excluding superphosphate and other fertiliser materials, by wholly-owned and associated companies, including those acquired from Distillers last year, amounted to 2·3 million tons in 1967, compared with 1·6 million tons in 1966. The net consumption of the group's petroleum products attributable to these operations was about 2·7 million tons, compared with 2·3 million tons in 1966.

United Kingdom

The majority of our wholly-owned and joint interests in the fields of chemicals and plastics in the United Kingdom has now been grouped under BP Chemicals (U.K.). Good progress has been made in the reorganisation and integration of these interests, with ready co-operation from all concerned. This process continues and will be completed during the current year.

Production from the chemical plants at Grangemouth, Hull, Baglan Bay and Carshalton showed a small increase of 3 per cent over 1966, while the plastics plants at Barry and Stroud increased production by 8 per cent. After operational difficulties in earlier years the acrylonitrile plant of Border Chemicals has now reached full design capacity. Forth Chemicals showed an increase of 8 per cent in styrene production, while output of lubricating oil additives by Orobis increased by 20 per cent. Production of xylenes by BP-California, in which BP has a 50 per cent interest, was about 25 per cent higher than in 1966.

Plants commissioned during the year included a major extension at Grangemouth to high density polyethylene capacity, and substantial expansions at Hull for methyl ethyl ketone, acetate esters and vinyl acetate. An acetic acid plant, the largest in Europe, was successfully commissioned at Hull.

At Barry, an extension to the nitrile rubber plant was commissioned during 1967 and is now operating at full output. The Wulff acetylene plant is not yet operating satisfactorily and output, though improving, still falls far short of design. Polyvinyl chloride capacity has been increased in two stages to over 140,000 tons per annum, though shortage of monomer will not yet allow us to take full advantage of this expansion.

The new normal paraffins plant in the Kent refinery is nearing completion and is expected to be commissioned shortly. Plans have been made for the erection by BP-California of a large new xylenes complex at Grangemouth producing 130,000 tons per annum of orthoxylene and 100,000 tons of paraxylene. It should be completed early in 1970.

Overseas

Naphtachimie, in which our French subsidiary has a 43 per cent interest, had a satisfactory year, sales of chemicals rising by 25 per cent in volume compared with 1966. This increase was due largely to operation at high output of the ethylene and ethylene derivative plants commissioned in the previous year. Some pressure was felt on selling prices, and the value of sales rose by only 15 per cent. Extensions to propylene oxide and polyolefins facilities have been completed, and a further expansion which will more than double the present polyolefins capacity has been authorised.

The production of olefins by Erdölchemie, in which our German company has a 50 per cent interest, was virtually at full capacity, as in 1966. Three large new plants for the production of nitric acid, ammonia and acrylonitrile were brought on stream during the year. Sales of chemicals and olefins were 30 per cent higher

by volume than in 1966. Commissioning of a new butadiene plant early in 1968 will complete Erdölchemie's current expansion. Meanwhile, a fourth phase of expansion is being planned, involving a large cracker and polyethylene unit, and a further increase in acrylonitrile capacity.

Deutsche BP und California, in which the group has a 50 per cent interest, increased its production of xylenes by some 25 per cent over the 1966 level. Its new paraxylene plant, which is now being built at the Vohburg refinery, is expected to be ready late in 1968.

The plant which manufactures normal paraffins at our Ruhr refinery operated successfully during the year, increasing production by about 10 per cent over that in 1966.

Kuwait Chemical Fertilizer Company, in which BP has a 20 per cent share, came into full operation in 1967 with the commissioning of the new urea plant. Production of urea and ammonium sulphate totalled 100,000 tons in 1967.

In Australia, construction of the fertiliser complex of the Kwinana Nitrogen Company, in which BP has an $86\frac{2}{3}$ per cent interest, began in May and made good progress. The first plants of the phosphatic fertiliser project of CSBP and Farmers, in which BP has a $33\frac{1}{3}$ per cent interest, came into operation in the second half of 1967. This company and its associates in Western Australia produced and sold one million tons of superphosphate and fertiliser mixtures during the year ended 30th June 1967.

In South Africa, as a result of merger negotiations which were concluded early in 1967, the group acquired a shareholding of approximately 20 per cent in Sentrachem. The latter company was formed in March by the merging of National Chemical Products, in which BP had acquired a 48 per cent interest from Distillers, with Klipfontein Organic Products Corporation, Kolchem (Pty.), Synthetic Rubber Co. (Pty.), and Karbochem (Pty.).

Formalities are being concluded for the transfer to us of Distillers' $22\frac{1}{2}$ per cent interest in Herdillia Chemicals; an £8 million plant near Bombay, for the manufacture of phenol, phthalic anhydride and a number of other chemicals, was officially opened in February 1968.

Sales and marketing

Group sales of crude oil and refined products, including chemicals which are commented on in the preceding section, rose to the total of 128·4 million tons, an increase of 7·6 per cent over 1966.

Group Sales in Million Tons

	1966	1967
United Kingdom	13·0	14·4
European Common Market	29·8	33·3
Rest of Europe	13·2	13·6
Asia	8·7	9·2
North and South America	8·9	8·5
Africa and the Middle East	5·2	4·9
Australia and New Zealand	2·9	3·2
	81·7	87·1
International bulk trade and bunkers	37·6	41·3
	119·3	128·4

The increase in sales over the year, mentioned above, is largely due to expansion achieved in the first half of the year. Sales of crude oil and products in the second half were only marginally higher than in the corresponding period of 1966.

Sales of natural gas in 1967, which included sales from our new venture in the North Sea, amounted to 47,547 million cubic feet. Sales in 1966 amounted to 23,005 million cubic feet, almost entirely in Canada and Trinidad.

We have continued to improve our networks of service stations by building new outlets and modernising some of our existing sites. Experiments have been carried out on new and existing stations to achieve an attractive and readily recognizable appearance, and suitable ancillary services are being developed. In the United Kingdom, BP has pioneered an automatic device which enables motorists to pay for and serve themselves with petrol from an unattended service station. With the increasing difficulty of recruiting suitable forecourt staff, and the need to provide a 24-hour service, there is a growing demand for this kind of facility, and we hope that local authorities will find it possible to remove some of the regulations which now restrict its use.

Sales promotion has continued to play an important part in maintaining our share of a growing

retail market and defending our position against ever-increasing competition. We have, however, to ensure that full value is obtained from these activities and it was decided during the year that our sponsorship of international motor-racing should be discontinued since it had become too expensive in relation to the benefit derived.

We are extending further our agricultural business in the marketing of products for the protection and conservation of crops.

During the early months of last year, international bunker offtake was adversely affected by the frequent strikes which took place at the port of Aden, which forced many customers to make alternative bunkering arrangements. In spite of the closure of the Suez canal we were able to satisfy all our contractual commitments, and sales for the year showed a sizeable increase over 1966. International marine lubricant sales have shown good progress, and the increase in 1967 was the highest since we launched our successful marine cylinder lubricant in 1964.

In aviation, fuel requirements have continued to rise and, in spite of greatly increased competition and supply difficulties in the second half of the year, sales have shown a satisfactory increase.

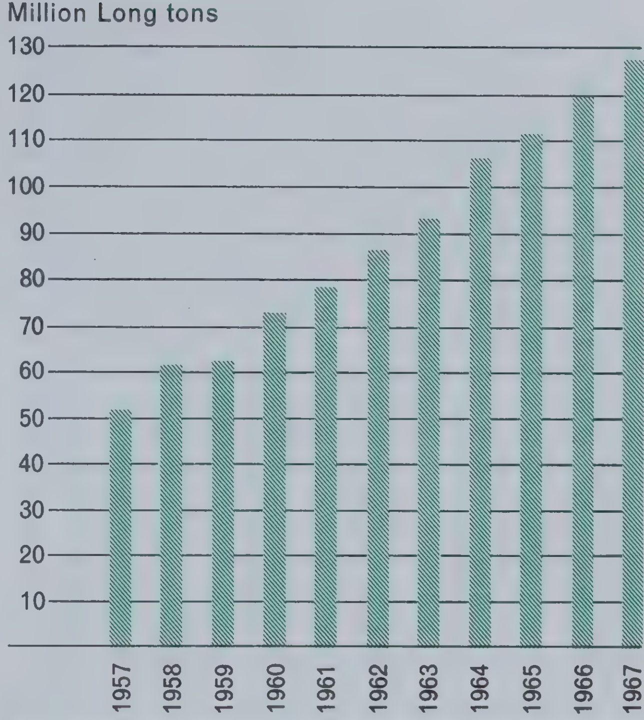
The volume of our sales of lubricants has been maintained. BP Super Visco-Static, the sale of which began in the United Kingdom in 1966, continues to find favour with the motorist and sales have increased encouragingly.

Sales of BP detergents in the United Kingdom, excluding the special supplies to the government for the 'Torrey Canyon' incident, were 15 per cent higher than in 1966, and exports again increased. Research into new uses and applications of our specialised products, such as lubricating oil extracts and aromatic solvents, has contributed to further expansion of sales and profitability.

We have continued to be closely associated with the development of hovercraft, and have participated in trials in Libya to assess the performance of these vehicles under desert conditions.

BP GROUP

Sales



Research and engineering

The year has seen the 50th anniversary of the foundation of the group's principal research centre at Sunbury-on-Thames. Since its inception in 1917 by Dr. Dunstan with one assistant, Dr. Thole, the work of the centre has grown to the point at which it now employs more than 1,800 people, of whom 400 are graduates, and the laboratories cover some 30 acres. Its efforts are now supplemented by further research on a similar scale at other centres belonging to the group.

BP Chemicals has integrated its existing research facilities at Sunbury with facilities at Epsom, Hull and Grangemouth acquired as part of the arrangement with Distillers. In addition to supporting the company's own operations, the chemicals research programme yielded a substantial income in 1967 from the licensing of chemical processes to other companies.

When the 'Torrey Canyon' was grounded off the Cornish coast in March 1967, BP along with other oil companies provided scientific staff to advise on the cleaning of beaches and to act as observers. The comments of our observers were later published,

and should provide a basis on which to plan in advance how to combat any future emergency of this nature.

The large amount of work required to keep us up to date on the manufacturing side of the business and to ensure that our processes are operated in the most economical way, continues to give valuable results. Several new plants for the operation of the BP processes which are available under licence have been commissioned by licensees during the year and have operated satisfactorily. The improvement of our products takes up a large part of our research effort. During the year, advances have been made particularly in the fields of industrial lubricants, greases and bitumens.

We said last year that economic studies were in progress to test the commercial viability of the production of protein concentrate. During 1967 these were completed. These studies, and the progress of research and development work, particularly the large-scale feeding trials, were encouraging enough for us to announce our intention to go forward with commercial manufacture. In November we said that we planned to build at a cost of about £2 million a plant to produce 16,000 tons per annum at Lavéra and that construction was expected to start in 1968. The process selected is that based on gas oil, and the large pilot plant at Lavéra has undergone many modifications to convert it into a prototype for the commercial unit.

Progress continues to be made in the use of computers. Substantial improvements have been made to speed up the computing of short and medium term refinery and supply operations. New methods have been devised and are now in operation for dealing with longer term problems, including a procedure for calculating the economics of alternative marketing plans. The application of computer techniques to the many engineering problems concerning the industry has continued throughout the year.

A large new computer to be operated by C-E-I-R will shortly be commissioned. This company specialises in management control and systems analysis over a wide range of scientific, commercial and industrial activities, and is providing valuable support for the group's increasing computer requirements.

Our development engineers have been much occupied on problems arising from operations in the North Sea, and with the terminals needed by very large tankers. The building of oil storage tanks with an extremely large capacity has involved many problems of design, but these have been overcome, and tanks with a capacity of 100,000 tons of crude oil each are now under construction.

In research on production problems, demands have been particularly heavy, especially those arising from the trebling of production in Libya and the start of production in Zakum and in the North Sea. A prominent feature of our work is the increasing use of computers for operational control. On the exploration side, the use of the electron microscope in palaeontology has allowed us to include in our studies the smallest of micro-fossils. In geophysics, improvements have been made in the recording and processing of seismic data, which should increase the accuracy of exploration surveys in all parts of the world.

Industrial relations

Much of our effort has been concentrated on increasing productivity. We have concluded agreements with the unions at Llandarcy refinery, similar to those already in force at Kent and Grangemouth, providing for greater flexibility in the use of skills and giving salaried status for the majority of employees. In February 1968 we were also able to make a similar agreement for the manning of our ships, and this will be introduced throughout the fleet as conditions permit. By such means we are able to take advantage of technological improvements and at the same time meet the needs and aspirations of the people who work for us. Steps are being taken throughout the group with all this in view, and to obtain a more effective use of manpower than at present. We have already obtained excellent results in this country and elsewhere. Our experience in two of the chemical expansion projects being undertaken by contractors has been less fortunate. Completion has been considerably delayed as a result of " go slow " tactics on the part of some of the labour employed and in consequence a considerable amount of capital investment has remained unutilised. In most of our projects, however, it is fair to add that this has happily not been the case.

Subsidiary and Associated Companies

The following are the main subsidiary and associated companies of the group indicating percentage of equity capital held.

INTERNATIONAL	%
BP Trading	100
BP Exploration	100
BP Exploration (Associated Holdings)	100
BP Chemicals	100
Societe Internationale de Recherche BP	97
Tanker Insurance	100

SHIPPING	
BP Tanker	100
BP Clyde Tanker	100
BP Medway Tanker	100
BP Thames Tanker	100
BP Tyne Tanker	100
BP Tankers Australia	100
Lowland Tanker	50
Nordic Tankships	50
Societe Maritime des Petroles BP	70
Warwick Tanker	50

EUROPE

United Kingdom	
Shell-Mex and B.P.	40
Associated Octel	36¾
Joseph Batson	100
Border Chemicals	66⅔
BP-California	50
BP Chemicals (U.K.)	100
BP Petroleum Development	100
BP Properties	100
BP Refinery (Grangemouth)	100
BP Refinery (Kent)	100
BP Refinery (Llandarcy)	100
BP Refinery (Northern Ireland)	100
Britannic Estates	100
Candles	27¾
C-E-I-R	100
Forth Chemicals	66⅔
Grange Chemicals	66⅔
Honeywill-Atlas	50
Lubricants Producers	20
Murgatroyd's Salt and Chemical	100
National Benzole	40

EUROPE (continued)	%
United Kingdom (continued)	
Orobis	50
Power Petroleum	40
Rankin, Kuhn	100
Scottish Oils	100
Shell and BP Scotland	40
Synthite	49
United Kingdom Oil Pipelines	23¾
Austria	
BP Benzin und Petroleum	100
Adria-Wien Pipeline	7½
Transalpine Ölleitung in Österreich	11
Belgium	
Anglo-Belge des Petroles	100
BP Belgium	100
Societe Belge des Gaz de Petrole	50
Societe Industrielle Belge des Petroles	50
Denmark	
BP Olie-Kompagniet	100
BP Gas	100
Eire	
BP Chemicals (Ireland)	100
Irish Refining	16
Irish Shell and BP	40
Finland	
BP-Petko	100
France	
Societe Francaise des Petroles BP	70
Naphtachimie	30
Raffinerie de Strasbourg	23½
Societe du Pipeline Mediterranee-Rhone	8½
Societe du Pipe-line Sud-Europeen	6¾
Germany	
BP Benzin und Petroleum	100
Deutsche BP und California	50

EUROPE (continued)

Germany (continued)	%
Deutsche Transalpine Oelleitung	11
Erdölchemie	50
Nord-West Oelleitung	26½
Oelwerke Julius Schindler	99½
Rhein-Donau Ölleitung	11
Rhein-Main-Rohrleitungstransport	29

Gibraltar

BP (Gibraltar)	100

Greece

BP of Greece	100

Holland

British Petroleum Maatschappij Nederland	100
Benzine en Petroleum Handel Maatschappij	100
British Petroleum Exploratie Maatschappij	100
British Petroleum Raffinaderij Nederland	100
Nederlandse Maatschappij voor Petroleumgassen Benegas	50

Italy

BP Italiana	100
Dott. Edoardo Garrone Raffineria Petroli	20
Industria Raffinazione Oli Minerali	49
Raffineria Italiana BP	100
Societa Italiana per l'Oleodotto Transalpino	11

Luxemburg

BP Luxembourg	100
Transalpine Finance Holdings	11

Malta

BP Malta	100

Norway

Norsk Braendselolje	50

Portugal

Companhia Portuguesa dos Petroleos BP	100

Spain

BP Espanola de Petroleos	100
Atlantic	100

EUROPE (continued)

Sweden	%
Svenska BP	100
BP Raffinaderi (Göteborg)	100

Switzerland

BP Benzin & Petroleum	100
Raffinerie du Sud-Ouest	24⅓

Turkey

BP Petrolleri	100
Anadolu Tasfiyehanesi	17
BP Overseas Refining	100
Kervansaray	100

AFRICA

African Petroleum Terminals	50
BP Burundi	100
BP Cameroun	100
BP Centre Ouest Afrique	98½
BP Congo	100
BP East Africa Trading	100
BP Exploration (Libya)	100
BP Ghana	100
BP Natal Trading	100
BP Nigeria	100
BP Nigerian Developments	100
BP-Shell Petroleum Development—Kenya	50
BP Supergas (Nigeria)	100
BP (West Africa)	100
Central African Petroleum Refineries	20¾
Central Chemical Investment	33⅓
Consolidated Petroleum and its Subsidiaries	50
East African Oil Refineries	25½
Nigerian Petroleum Refining	25
Offshore Petroleum Explorations (Nigeria)	50
Sentrachem	19⅔
Shell and BP South African Petroleum Refineries	50
Shell and BP (Sudan)	50
Shell-BP Petroleum Development—Nigeria	50
Societe Africaine de Raffinage	11¾
Societe des Petroles BP d'Afrique Occidentale	98½
Societe des Petroles BP de Guinee	98½
Societe des Petroles BP de Tunisie	100
Societe des Petroles BP du Maroc	100
Societe des Petroles du Senegal	44
Societe Equatoriale de Raffinage	3
Societe Ivoirienne de Raffinage	10¼
Societe Malgache de Raffinage	6½

AUSTRALASIA AND FAR EAST

Australia

	%
British Petroleum Company of Australia	100
BP Australia	100
BP (Fremantle)	100
BP Minerals Australia	100
BP Oil Supplies	100
BP Petroleum Development Australia	100
BP Refinery (Kwinana)	100
BP Refinery (Westernport)	100
CSBP & Farmers	33⅓
Frome-Broken Hill	33⅓
Kwinana Nitrogen	86⅔

New Zealand

BP (New Zealand)	100
BP (Oil Exploration) New Zealand	100
BP Shell Aquitaine and Todd Petroleum Development	25
New Zealand Refining	15
Shell BP and Todd Oil Services	37½
Shell BP Pipeline Services	50

Fiji

BP (South-West Pacific)	100

Japan

BP (Far East)	100

Singapore and Malaya

BP Malaysia	100
BP Refinery Singapore	100
BP Singapore	100

Papua

Australasian Petroleum	15
Island Exploration	15

MIDDLE AND NEAR EAST

Abu Dhabi Marine Areas	66⅔
Abu Dhabi Petroleum	23¾
Basrah Petroleum	23¾
BP (Abu Dhabi)	100
BP (Aden)	100
BP (Eastern Agencies)	100
BP Exploration (Middle East)	100

MIDDLE AND NEAR EAST (continued)

	%
BP (Indian Agencies)	100
BP (Kuwait)	100
BP (Pakistan)	100
BP Refinery (Aden)	100
Dubai Marine Areas	66⅔
Iranian Oil Exploration and Producing	40
Iranian Oil Refining	40
Iraq Petroleum	23¾
Kuwait Aviation Fuelling	20
Kuwait Chemical Fertilizer	20
Kuwait Oil	50
Mosul Petroleum	23¾
Oil Trading (Iran)	100
Qatar Petroleum	23¾

WESTERN HEMISPHERE

Canada

British Petroleum Company of Canada	100
BP Canada	100
BP Exploration Canada	100
BP Investments Canada	100
BP Refinery Canada	100
BP Tanker Finance Canada	49
Triad Oil	62½
Triad Oil Manitoba	62½
Triad Petroleum Development	62½

Colombia

BP Exploration (Colombia)	100

Trinidad

BP (Trinidad)	100
Àpex (Trinidad) Oilfields	100
BP Caribbean	100
Kern Trinidad Oilfields	100
Trinidad Petroleum Development	88

United States of America

BP (North America)	100
BP Exploration (Alaska)	100
BP Exploration U.S.A.	100
BP North American Finance	100
St. Helens Petroleum	100

THE BRITISH PETROLEUM COMPANY LIMITED

FORM OF PROXY

I, the undersigned, being a Member of the above-named Company, hereby appoint

†The Chairman of the meeting..

....

as my Proxy to vote for me and on my behalf at the Annual General Meeting of the Company to be held on the 9th day of May 1968, and at any adjournment thereof.

*I wish this Proxy to be used as shown below

	For	Against
Resolution No. 1 to adopt the Report of the Directors and the Accounts	☐	☐
Resolution No. 2 to declare a dividend	☐	☐
Resolution No. 3 to re-elect MR. G. F. ASHFORD a Director	☐	☐
Resolution No. 4 to re-elect LORD INCHCAPE a Director	☐	☐
Resolution No. 5 to re-elect LORD COBBOLD a Director	☐	☐

as set out in the Notice of Meeting.

DATED this day of 1968.

Signed...

Name and address...
(IN BLOCK LETTERS)

....

....

NOTES:—

1. This Proxy should be deposited at the Registered Office not less than 24 hours before the time of the meeting.
2. In the case of a corporation this Proxy should be under its Common Seal or under the hand of an officer or attorney duly authorised in writing.
3. In the case of joint holders the signature of any one of them will suffice, but the names of all joint holders must be shown.

† Delete if it is desired to appoint any other person and insert his/her name and address.

* Please indicate how you wish your Proxy to vote with a tick in the appropriate box opposite each resolution. If no indication is given your Proxy will be deemed to have the authority to vote as he thinks fit.

Printed in England by Keliher, Hudson & Kearns, Ltd., London, S.E.1.